



MINUTES

House Unemployment Fraud Task Force

Wednesday, May 5, 2012

1:00 P.M.

Room 415 / Legislative Office Building

I. Committee Members & Staff:

Co-Chairs: Rep. Marilyn Avila
Rep. G. L. Pridgen

Members: Rep. Tim Moffitt
Rep. Harry Warren
Rep. Rodney Moore
Rep. Susi Hamilton

Rep. Julia Howard
Rep. Trudi Walend
Rep. Annie Mobley

Clerk: Beverly Slagle

Attending House Sargent at Arms:

Reginald Sills

Robert Rossi

II. Staff: Kristin Walker (Fiscal Research)
Phyllis Pickett (Bill Drafting)
Janice Paul Research)

Rodney Bizzell (Fiscal Research)
Cindy Avrette (Research)

III. Call To Order:

A quorum present, the House Unemployment Fraud Task Force (the Task Force) meeting was called to order at 10 AM by the presiding Co-Chair, Representative G. L. Pridgen who welcomed members, staff, and guests.

IV. Adoption of April 3, 2012 Meeting Minutes: The Minutes were Approved and Adopted by the Committee.

V. Presentation by Assistant Secretary Dempsey Benton: Secretary Benton introduced himself and presented from the handout: See Report to House UI Task Force.

A. Questions:

Q). Warren: Item 4: Would it not be better for the department have a hard-set time (four or six weeks) for claimants to come in to verify they are actively seeking work, and what would constitute verification that they are actually seeking work?

A.) Benton:

- HARD DATE: There will be a hard date but it has not been set yet as he is working with staff to see where they are in the process.
- VERIFICATION: He did not have the specifics on that but will get back to the committee on that.

Q.) Warren suggested a Disclaimer of what constitutes fraud and require signature from the applicant at the time of application, to acknowledge they received the Disclaimer.

A.) Benton: Believes they will have that signature provision, he assured the committee he would see to that.

A brief discussion took place regarding payments and employers timeliness in reporting separation and their insurance rate. The WRAL report was discussed regarding inmates collecting unemployment benefits.

VI. Lockhart Taylor, Director of Governmental Relations, Division of ESC, DOC: As requested by the committee he gave an explanation of the “Back to Back” Rule as follows:

- A.** Provides the provisions of G. S. 96-12b 4
- B.** February 2000, Unemployment Insurance Bulletin 02(00) was distributed to UI management and out stationed personnel informing them the change in monetary requirements. It stated that the payment system would no longer set an issue for re-qualifying for second benefit year. Previously, claimants were required to come to local employment service office and provide proof that sufficient wages were earned since the previous base period to qualify for benefits. With the issuance of the Bulletin, the system was modified to remove fields designated that the claimant qualifies for a second year.
- C.** November 2009, USDOL advised the NCESC of the issue and a service request was submitted in January 2010 and performed in two stages and were completed in September:
 - 1. First state completed in May and provided for individuals who were about the exhaust their first benefit year
 - 2. Programing that involved reversing the charges to those who had drawn a second benefit year that they were not entitled to.

The statement of charges to the employer actually went out in December of that year. NC does not in-charge employers until the claimant exhausts all benefits; therefore these charges would have been reflected from the previous years and not when they are incurred. This is done intentionally to prevent employer’s tax account being immediately impacted immediately following a layoff, which delays the impact of layoffs, especially during an economic downturn.

No overpayment issues were detected in the previous years, by the USDOL audits, Benefit accuracy measure, the NC State Auditor Reports, or the internal quality management until the federal extensions kicked in. The initial impact of the overpayments was determined to be \$28,344,729 to 35,695 claimants. The department of Employment Security sent out notices to each claimant regarding the overpayments, according to the State Statues. A copy of this report was requested. Mr. Lockhart commended the committee on its work which he believed was valuable and constructive. He also thanked the committee for the respect it has shown to his department.

VII. Consideration and Adoption of Interim Report: Staff provided and presented by Cindy Avrette, (Research). See Interim Report.


A. Legislative Recommendation: UC Fraud Prevention & Recovery

B. Approval of Interim Report

VIII. A Recommendation and Second was taken by the Chair to Approve and Adopt the Interim Report and the Draft Legislative Amendment:

IX. Secretary of Commerce gave a brief status report on the study: An analysis of the UI Tax Structure and other Financial Options to Service and Liquidate the State's Debt Incurred to Pay UI Benefits (SB 99; S.L. 2011-10).

X. Adjournment: With no further discussion or questions, the committee meeting was adjourned at 3:33 P.M.


Signature